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NEWS RELEASE

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PSC Accepts Settlement in East Kentucky Power Rate Case ***Typical monthly residential bill will increase by about \$5.60***

FRANKFORT, Ky. (March 31, 2009) – The Kentucky Public Service Commission (PSC) has accepted a settlement that permits East Kentucky Power Cooperative, Inc. (EKPC) to raise its wholesale rates in order to increase its annual revenue by \$59.5 million, or about 7 percent.

When the increased wholesale rates are passed through to customers of the distribution cooperatives which purchase power from EKPC, they will increase typical monthly bills for residential customers by about \$5.60.

EKPC negotiated the settlement – which gives the generation and transmission cooperative \$15 million less than the amount of additional revenue it said it needed - with the Office of Attorney General and the Kentucky Industrial Utility Customers, Inc. (KIUC).

EKPC applied to the PSC for the rate increase on Oct. 31, 2008. During the course of the PSC's examination of the application, the utility, the Attorney General and KIUC began settlement negotiations. The settlement was submitted to the PSC for review on March 13.

A public hearing on the proposed settlement was held March 27.

In an order issued today, the PSC said that it had determined that the rates contained in the settlement are fair, just and reasonable. The new rates take effect tomorrow (April 1).

EKPC provides electricity to and is owned by 16 distribution cooperatives serving about 500,000 customers in 89 Kentucky counties. The PSC today also issued orders approving the pass-through rates for 15 of the 16 distribution cooperatives, also effective April 1.

Because Grayson Rural Electric Cooperative Corp. has a retail rate adjustment case pending before the PSC, its pass-through rates will be adjusted separately.

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The new rates take effect at the same time as EKPC begins producing power from its newest generating facility, a 280-megawatt unit at its Spurlock plant in Mason County. The increased rates are intended in part to pay for the new unit.

In recent years, a shortage of generating capacity and unscheduled shutdowns at its generating facilities have forced EKPC to purchase large amounts of power from outside sources. The additional generating capacity will decrease the need for EKPC to make such purchases.

Because the costs of most outside power purchases are passed on to retail customers, the new unit at Spurlock is expected to result in cost savings for customers that will partly offset the rate increase.

Substantial penalties and environmental compliance costs imposed by the U.S. Environmental Protection Agency and higher interest expenses due to the need to borrow money to build new facilities, have left the utility in precarious financial condition.

The PSC in December 2008 directed EKPC to submit to a comprehensive management audit, saying that the utility's worsening financial problems raise questions about its continued viability. Selection of an independent consultant to conduct the audit is underway.

In May 2007, EKPC filed a "plan of remedy" intended to restore compliance with certain requirements of its loan agreement with the Rural Utilities Service (RUS), the federal agency which lends money to electric cooperatives at favorable interest rates. The plan anticipated applications for multiple rate increases over several years.

The settlement approved today represents the first of those planned increases, which was to be tied to the start of operations at the new unit at the Spurlock plant.

The settlement also includes changes to credits received by industrial customers served under rates that allow their service to be interrupted at times of high demand for power.

Today's order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2008-00409.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.